

# PERAC AUDIT REPORT



North Attleboro Contributory Retirement System

JAN. 1, 2002 - DEC. 31, 2004 / PERAC 04: 11-071-23



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*  
KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS | THOMAS TRIMARCO

JOSEPH E. CONNARTON, *Executive Director*

September 22, 2006

The Public Employee Retirement Administration Commission has completed an examination of the North Attleboro Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, 2002 to December 31, 2004. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiner Martin J. Feeney who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



## **North Attleboro Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

#### **FOR THE THREE - YEAR PERIOD ENDING DECEMBER 31, 2004**

**1. Membership Exhibits**

The active membership, total retired, beneficiary, and survivor membership totals from prior years are not being reported correctly on the membership exhibits in the Annual Statement.

**Recommendation:**

The North Attleboro Retirement System must ensure that the totals reported on the Annual Statement from prior years are correct. The Executive Secretary has indicated that she will take an inventory of all active, inactive, retired, beneficiary, and survivor members and input the numbers into the TACS system to ensure that all numbers are correct.

**Board Response:**

The Executive Secretary has taken inventory of all active, inactive, retired, beneficiary and survivor members and input these numbers into the TACS system (reported on the 2005 Annual Statement)

**2. Annuity Reserve Fund**

The Annuity Reserve Fund balance is understated for the years 2002 through 2004 because the system did not correctly calculate the interest.

**Recommendation:**

The Executive Secretary should make an adjusting journal entry of \$7,093.95 to the Annuity Reserve Fund to correct the balance. The TACS system should then be able to correctly calculate the correct balance.

**Board Response:**

An adjusting entry was made to the Annuity Reserve Fund in the amount of \$2,958.85 which was verified with the Auditor.

**3. Current Retirees**

The Board is calculating the three - year average salary from recorded deduction amounts. If the Board is not using detailed payroll information, the deductions may be in error, thereby generating an incorrect three-year average annual salary.

**Recommendation:**

The Board must use detailed payroll information in order to ensure the proper calculation of a member's average salary and their subsequent retirement benefits.

**Board Response:**

Salary information is being obtained through the Payroll Department to ensure that the proper calculation of a members' average salary is being done correctly.

**North Attleboro Retirement System**

**EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)**

**FOR THE THREE - YEAR PERIOD ENDING DECEMBER 31, 2004**

**Final determination**

***PERAC audit staff will follow-up in six (6) months to ensure appropriate actions have been taken regarding all audit findings.***

# North Attleboro Retirement System

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE - YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>ASSETS</b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Cash	\$1,054,349	\$1,455,577	\$1,671,018
Short Term Investments	0	0	0
Fixed Income Securities	10,524,138	19,051,864	18,766,818
Equities	11,751,186	9,697,138	6,652,094
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	13,972,927	12,184,918	9,154,608
Pooled International Equity Funds	3,937,835	3,151,148	2,176,462
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	9,538,991	0	0
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	0	0	0
Pooled Alternative Investment Funds	0	0	0
Pooled Real Estate Funds	0	0	0
Pooled Domestic Balanced Funds	0	0	0
Pooled International Balanced Funds	0	0	0
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	140,933	207,407	191,361
Accounts Receivable	71,850	81,334	0
Accounts Payable	(211,795)	(46,333)	(372,247)
<b>TOTAL</b>	<b><u>\$50,780,414</u></b>	<b><u>\$45,783,053</u></b>	<b><u>\$38,240,114</u></b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$13,367,997	\$12,376,404	\$11,331,854
Annuity Reserve Fund	3,121,685	2,947,893	2,770,116
Pension Fund	5,217,091	5,968,771	6,440,582
Military Service Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	29,073,641	24,489,985	17,697,562
<b>TOTAL</b>	<b><u>\$50,780,414</u></b>	<b><u>\$45,783,053</u></b>	<b><u>\$38,240,114</u></b>

# North Attleboro Retirement System

## STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE - YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2001)</b>	\$10,642,168	\$2,386,084	\$6,858,458	\$0	\$0	\$20,345,344	<b>\$40,232,054</b>
Receipts	1,564,783	73,919	1,634,307	0	289,357	(2,650,860)	<b>911,506</b>
Interfund Transfers	(630,795)	628,934	(1,217)	0	0	3,078	<b>(0)</b>
Disbursements	<u>(244,302)</u>	<u>(318,821)</u>	<u>(2,050,966)</u>	<u>0</u>	<u>(289,357)</u>	<u>0</u>	<b><u>(2,903,446)</u></b>
<b>Ending Balance (2002)</b>	<b>11,331,854</b>	<b>2,770,116</b>	<b>6,440,582</b>	<b>0</b>	<b>0</b>	<b>17,697,562</b>	<b>38,240,114</b>
Receipts	1,588,941	81,702	1,748,206	0	334,622	6,799,607	<b>10,553,078</b>
Interfund Transfers	(405,418)	412,602	0	0	0	(7,184)	<b>0</b>
Disbursements	<u>(138,973)</u>	<u>(316,527)</u>	<u>(2,220,017)</u>	<u>0</u>	<u>(334,622)</u>	<u>0</u>	<b><u>(3,010,139)</u></b>
<b>Ending Balance (2003)</b>	<b>12,376,404</b>	<b>2,947,893</b>	<b>5,968,771</b>	<b>0</b>	<b>0</b>	<b>24,489,985</b>	<b>45,783,053</b>
Receipts	1,643,714	89,685	1,758,507	0	358,936	4,583,656	<b>8,434,498</b>
Interfund Transfers	(436,260)	436,260	0	0	0	0	<b>0</b>
Disbursements	<u>(215,861)</u>	<u>(352,154)</u>	<u>(2,510,187)</u>	<u>0</u>	<u>(358,936)</u>	<u>0</u>	<b><u>(3,437,138)</u></b>
<b>Ending Balance (2004)</b>	<b><u>\$13,367,997</u></b>	<b><u>\$3,121,684</u></b>	<b><u>\$5,217,091</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$29,073,641</u></b>	<b><u>\$50,780,413</u></b>

# North Attleboro Retirement System

## STATEMENT OF INCOME

**FOR THE THREE - YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$1,443,448	\$1,402,537	\$1,285,359
Transfers from other Systems	88,066	48,354	109,101
Member Make Up Payments and Redeposits	39,980	26,587	24,661
Investment Income Credited to Member Accounts	<u>72,220</u>	<u>111,463</u>	<u>145,663</u>
<b>Sub Total</b>	<b><u>1,643,714</u></b>	<b><u>1,588,941</u></b>	<b><u>1,564,784</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<u>89,685</u>	<u>81,702</u>	<u>73,919</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	22,449	19,433	15,587
Received from Commonwealth for COLA and Survivor Benefits	139,875	144,232	151,719
Pension Fund Appropriation	<u>1,596,183</u>	<u>1,584,541</u>	<u>1,467,000</u>
<b>Sub Total</b>	<b><u>1,758,507</u></b>	<b><u>1,748,206</u></b>	<b><u>1,634,306</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>358,936</u>	<u>334,622</u>	<u>289,357</u>
<b>Sub Total</b>	<b><u>358,936</u></b>	<b><u>334,622</u></b>	<b><u>289,357</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	21,882	16,373	15,849
Miscellaneous Income	2,971	4,477	0
Interest Not Refunded	2,040	1,781	3,398
Excess Investment Income	<u>4,556,763</u>	<u>6,776,976</u>	<u>(2,670,107)</u>
<b>Sub Total</b>	<b><u>4,583,656</u></b>	<b><u>6,799,607</u></b>	<b><u>(2,650,860)</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$8,434,498</u></b>	<b><u>\$10,553,078</u></b>	<b><u>\$911,506</u></b>



# North Attleboro Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE - YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
	<u><b>2004</b></u>	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$172,248	\$68,217	\$160,521
Transfers to other Systems	<u>43,613</u>	<u>70,757</u>	<u>83,781</u>
<b>Sub Total</b>	<u><b>215,861</b></u>	<u><b>138,974</b></u>	<u><b>244,302</b></u>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	352,154	312,027	281,504
Option B Refunds	<u>0</u>	<u>4,500</u>	<u>37,317</u>
<b>Sub Total</b>	<u><b>352,154</b></u>	<u><b>316,527</b></u>	<u><b>318,821</b></u>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	1,863,610	1,721,553	1,597,909
Survivorship Payments	81,156	79,227	59,533
Ordinary Disability Payments	0	0	0
Accidental Disability Payments	398,527	291,716	269,198
Accidental Death Payments	71,588	66,435	65,020
Section 101 Benefits	17,655	19,793	19,217
3 (8) (c) Reimbursements to Other Systems	77,651	41,293	40,089
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<u><b>2,510,187</b></u>	<u><b>2,220,017</b></u>	<u><b>2,050,966</b></u>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who			
Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	15,000	15,000	2,500
Salaries	44,032	43,219	40,954
Legal Expenses	1,730	1,943	2,510
Medical Expenses	0	0	0
Fiduciary Insurance	3,267	3,737	0
Service Contracts	8,392	6,234	0
Travel Expenses	3,150	2,851	3,370
Administrative Expenses	3,738	27,029	20,448
Furniture and Equipment	169	4,128	310
Management Fees	209,650	172,434	165,629
Custodial Fees	37,308	32,347	30,636
Consultant Fees	<u>32,500</u>	<u>25,700</u>	<u>23,000</u>
<b>Sub Total</b>	<u><b>358,936</b></u>	<u><b>334,622</b></u>	<u><b>289,357</b></u>
<b>TOTAL DISBURSEMENTS</b>	<u><b>\$3,437,138</b></u>	<u><b>\$3,010,140</b></u>	<u><b>\$2,903,446</b></u>

# North Attleboro Retirement System

## INVESTMENT INCOME

**FOR THE THREE - YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Investment Income Received From:</b>			
Cash	\$9,303	\$5,914	\$19,984
Short Term Investments	8,500	279	0
Fixed Income	878,121	1,179,291	1,229,772
Equities	83,210	95,678	92,793
Pooled or Mutual Funds	<u>0</u>	<u>0</u>	<u>0</u>
Commission Recapture	<u>49</u>	<u>0</u>	<u>0</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>979,183</u></b>	<b><u>1,281,162</u></b>	<b><u>1,342,549</u></b>
<b>Plus:</b>			
Increase in Amortization of Fixed Income Securities	0	0	0
Realized Gains	771,717	729,526	275,651
Unrealized Gains	4,593,201	6,316,410	1,547,840
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>140,933</u>	<u>207,407</u>	<u>191,361</u>
<b>Sub Total</b>	<b><u>5,505,851</u></b>	<b><u>7,253,343</u></b>	<b><u>2,014,852</u></b>
<b>Less:</b>			
Decrease in Amortization of Fixed Income Securities	0	0	0
Paid Accrued Interest on Fixed Income Securities	(121,863)	(173,239)	(114,677)
Realized Loss	(369,073)	(376,621)	(675,668)
Unrealized Loss	(709,087)	(488,520)	(4,519,346)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(207,407)</u>	<u>(191,361)</u>	<u>(208,878)</u>
<b>Sub Total</b>	<b><u>(1,407,430)</u></b>	<b><u>(1,229,741)</u></b>	<b><u>(5,518,569)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>5,077,604</u></b>	<b><u>7,304,764</u></b>	<b><u>(2,161,168)</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	72,220	111,464	145,663
Annuity Reserve Fund	89,685	81,702	73,919
Military Service Fund	0	0	0
Expense Fund	<u>358,936</u>	<u>334,622</u>	<u>289,357</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>520,841</u></b>	<b><u>527,788</u></b>	<b><u>508,939</u></b>
Net Investment Income	<u>5,077,604</u>	<u>7,304,764</u>	<u>(2,161,168)</u>
Less: Total Income Required	<u>520,841</u>	<u>527,788</u>	<u>508,939</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$4,556,763</u></b>	<b><u>\$6,776,976</u></b>	<b><u>(\$2,670,107)</u></b>

# North Attleboro Retirement System

## STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

**FOR THE PERIOD ENDING DECEMBER 31, 2004**

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,054,349	2.08%
Short Term	0	0.00%
Fixed Income	10,524,138	20.73%
Equities	11,751,186	23.14%
Pooled Short Term Funds	0	0.00%
Pooled Domestic Equity Funds	13,972,927	27.52%
Pooled International Equity Funds	3,937,835	7.75%
Pooled Global Equity Funds	0	0.00%
Pooled Domestic Fixed Income Funds	9,538,991	18.79%
Pooled International Fixed Income Funds	0	0.00%
Pooled Global Fixed Income Funds	0	0.00%
Pooled Alternative Investment Funds	0	0.00%
Pooled Real Estate Funds	0	0.00%
Pooled Domestic Balanced Funds	0	0.00%
Pooled International Balanced Funds	0	0.00%
PRIT Cash Fund	0	0.00%
PRIT Core Fund	<u>0</u>	<u>0.00%</u>
<b>GRAND TOTALS</b>	<b><u>\$50,779,426</u></b>	<b><u>100.00%</u></b>

For the year ending December 31, 2004, the rate of return for the investments of the North Attleboro Retirement System was 11.26%. For the five - year period ending December 31, 2004, the rate of return for the investments of the North Attleboro Retirement System averaged 5.93%. For the twenty - year period ending December 31, 2004, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Retirement System was 9.95%.

## **North Attleboro Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

#### **FOR THE THREE - YEAR PERIOD ENDING DECEMBER 31, 2004**

The North Attleboro Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

October 27, 1988

- (1) Real Estate investments shall not exceed 5% of the total book value of the portfolio at the time of purchase and at this time shall be limited to \$100,000\*, and shall consist of real estate trusts and partnerships, provided that:
- (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a limited partner be required to participate in the selection of a general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and
  - (b) such trustees or general partners retain authority in the decision making process, and
  - (c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

\*Increased to \$200,000 June 22, 1989

\*Increased to \$400,000 July 13, 1989

May 18, 1989

- 20.07 (6) Sales of equity investments shall not exceed 100% of the average market value of all equity holdings in any twelve-month period.

December 26, 1990

- 20.03(1) Equities shall not exceed 45% of the total market value of the portfolio at the time of purchase.
- 20.07(6) Purchases and sales of equity investments shall not exceed 200% of the average market value of all equity holdings in any twelve-month period.

December 26, 1991

- 20.03(1) (a) Domestic equities shall not exceed 45% of the total book value of the portfolio at the time of purchase.
- (b) International equities shall not exceed 5% of the total book value of the portfolio at the time of purchase.
- 20.04(1) United States based corporations and equities of foreign corporations.
- 20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

## **North Attleboro Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (CONT'D)**

**FOR THE THREE - YEAR PERIOD ENDING DECEMBER 31, 2004**

February 21, 1992

4.03(1) Copies to be sent to PERA

Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy the following for the month:

- a) cash book entries;
- b) trial balance; and
- c) journal entries

August 5, 1993

16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Expenses for investment management and consulting services may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:

- (a) 1% of the value of the fund for the first \$5 million; and
- (b) 0.5% of the value of the fund in excess of \$5 million.

MAY 30, 1996

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds which shall be limited to 5% of the total portfolio valued at market.

November 13, 1997

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds which shall be limited to 15% of the total portfolio valued at market.

20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 15% of the total portfolio valued at market may be invested in bonds with a minimum quality rating of BBB or equivalent as rated by one or more recognized bond rating services.

20.06(4) Fixed income holdings which are downgraded by one or more recognized rating services to below a Baa or equivalent rating must be sold within a reasonable period of time not to exceed one year, however, 15% of the total portfolio valued at market may be invested in bonds with a minimum quality rating of BBB or equivalent.

## **North Attleboro Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

#### **FOR THE THREE - YEAR PERIOD ENDING DECEMBER 31, 2004**

##### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all North Attleboro Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three- year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period is borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

## **North Attleboro Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE - YEAR PERIOD ENDING DECEMBER 31, 2004**

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **North Attleboro Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 – SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The North Attleboro Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

THE NORTH ATTLEBORO RETIREMENT SYSTEM HAS NO SUPPLEMENTARY MEMBERSHIP REGULATIONS ON FILE.



## North Attleboro Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

##### NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Paula J. Tattrie

Appointed Member: Edward G. Lambert                      Term Expires: 6/30/07

Elected Member: Jack J. Bush                              Term Expires: 8/31/08

Elected Member: Dorothy H. Baker                      Term Expires: 8/31/08

Appointed Member: Patricia A. Shapiro                      Term Expires: 1/31/06

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	\$1,000,000
		Employee Dishonesty
Ex officio Member:	)	\$30,000,000
		Fiduciary
Elected Member:	)	Travelers (\$10M Primary)
Appointed Member:	)	Federal Insurance Co.
		(\$10M Excess of Primary)
Staff Employee:	)	Executive Risk Indemnity, Inc.
		(\$10M Excess of \$20M)

# North Attleboro Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE THREE - YEAR PERIOD ENDING DECEMBER 31, 2004

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Mellon as of January 1, 2004.

The actuarial liability for active members was	\$33,142,776
The actuarial liability for retired members was	<u>24,075,277</u>
The total actuarial liability was	<b>57,218,053</b>
System assets as of that date were	<u>47,165,481</u>
The unfunded actuarial liability was	<b><u>\$10,052,572</u></b>
The ratio of system's assets to total actuarial liability was	82.4%
As of that date the total covered employee payroll was	\$16,376,143

The normal cost for employees on that date was 8.3% of payroll

The normal cost for the employer was 6.3% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.0% per annum

**Rate of Salary Increase:** 5.5% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2004

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2004	\$ 47,165,481	\$ 57,218,053	\$ 10,052,572	82.4%	\$ 16,376,143	61.4%
1/1/2002	\$ 40,232,054	\$ 49,619,671	\$ 9,387,617	81.1%	\$ 15,515,521	60.5%
1/1/2000	\$ 37,496,091	\$ 41,776,394	\$ 4,280,303	89.8%	\$ 13,315,066	32.1%
1/1/1998	\$ 29,744,805	\$ 35,015,145	\$ 5,270,340	84.9%	\$ 11,451,863	46.0%
1/1/1997	\$ 24,406,100	\$ 29,456,842	\$ 5,050,742	82.9%	\$ 10,355,645	48.8%

## North Attleboro Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE - YEAR PERIOD ENDING DECEMBER 31, 2004**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Superannuation	5	2	7	6	9	9	5	11	10	8
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	0	0	1	0	0	0	2	1	1
Total Retirements	<b>5</b>	<b>2</b>	<b>7</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>5</b>	<b>13</b>	<b>11</b>	<b>9</b>
Total Retirees, Beneficiaries and Survivors	169	167	165	168	173	182	160	186	194	203
Total Active Members	410	438	491	506	549	603	577	616	620	538
<b>Pension Payments</b>										
Superannuation	\$954,603	\$996,962	\$1,080,252	\$1,171,686	\$1,269,968	\$1,427,916	\$1,492,154	\$1,597,909	\$1,721,553	\$1,863,610
Survivor/Beneficiary Payments	81,194	76,909	71,524	70,036	64,737	62,170	55,069	59,533	79,227	81,156
Ordinary Disability	10,838	10,883	11,108	11,108	11,184	6,146	0	0	0	0
Accidental Disability	288,366	293,616	278,389	256,025	257,766	250,480	240,346	269,198	291,715	398,527
Other	<u>88,789</u>	<u>89,226</u>	<u>101,193</u>	<u>100,998</u>	<u>99,763</u>	<u>114,569</u>	<u>122,943</u>	<u>124,326</u>	<u>127,521</u>	<u>166,895</u>
Total Payments for Year	<b><u>\$1,423,790</u></b>	<b><u>\$1,467,596</u></b>	<b><u>\$1,542,466</u></b>	<b><u>\$1,609,853</u></b>	<b><u>\$1,703,418</u></b>	<b><u>\$1,861,281</u></b>	<b><u>\$1,910,512</u></b>	<b><u>\$2,050,966</u></b>	<b><u>\$2,220,016</u></b>	<b><u>\$2,510,188</u></b>

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